

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
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E.O. 11652: N/A  
TAGS: ECON, EGEN, ELAB  
SUBJECT: COUNCIL OF MINISTERS DISCUSSES ECONOMIC QUESTIONS

SUMMARY. THE COUNCIL OF MINISTERS DISCUSSED IMPORTANT ECONOMIC QUESTIONS DURING ITS FIRST FULL WORKING MEETING MARCH 8. IT APPROVED THE GENERAL OUTLINE OF THE 1978 NATIONAL BUDGET TO BE PRESENTED TO THE NATIONAL ASSEMBLY BY MARCH 15. ALSO DISCUSSED WERE: NEGOTIATIONS WITH IMF, PENDING PRICE INCREASES, AGRARIAN REFORM, REORGANIZATION OF TOURIST DEVELOPMENT COMPANIES, MINIMUM WAGE PROPOSALS, THE THREAT-ENED STRIKE OF GOVERNMENT WORKERS, AND AID TO AREAS HIT BY RECENT RAINSTORMS. END SUMMARY.

1. THE MARCH 8 MEETING OF THE COUNCIL OF MINISTERS COVERED IMPORTANT ECONOMIC POLICY MATTERS. SEVERAL MINISTERS COMMENTED UPON THE RESULTS OF THE MEETING.

2. BUDGET AND AUSTERITY MEASURES: MINISTER OF FINANCE AND PLANNING VITOR CONSTANCIO ANNOUNCED AFTER THE MEETING THAT THE COUNCIL OF MINISTERS HAD APPROVED THE GNERAL OUTLINE OF THE 1978 NATIONAL BUDGET. ESTIMATED REVENUES ARE 10 BILLION ESCUDOS (250 MILLION DOLLARS) LESS THAN PREVIOUS ESTI-  
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MATES DUE TO DELAY IN LEGISLATING PROPOSED TAX INCREASES. THE MINISTER INDIACED THAT VARIOUS AUSTERITY MEASURES WILL BE INTORDUCED INDIVIDUALLY RATHER THAN AS A PACKAGE. INCREASES IN PRICES OF "MARKET BASKET" COMMODITIES CAN BE EXPECTED SOON, ALONG WITH PRICE INCREASES FOR GOODS AND SERVICES OFFERED BY PUBLIC SECTOR ENTERPRISES. THE COUNCIL OF MINISTERS APPROVED THE CREATION OF A WORKING

GROUP WHICH WILL DETERMINE PRICE POLICY AND DESIGNATE GOODS AND SERVICES SUBJECT TO PRICE CONTROLS. CONSTANCIO CLAIMED THAT RUMORS OF AN IMPENDING GASOLINE PRICE INCREASE AND OF A NEW PROPERTY TAX ON AUTOMOBILES WERE UNFOUNDED.

3. NEGOTIATIONS WITH IMF: IN HIS STATEMENT TO THE PRESS AFTER THE COUNCIL MEETING, CONSTANCIO DECLARED THAT LAST WEEK'S MEETING IN LISBON WITH THE IMF WAS AN EXCHANGE OF VIEWS, NOT A RENEWAL OF NEGOTIATIONS. HE DENIED REPORTS THAT SERIOUS DISAGREEMENTS HAD EMERGED DURING THE TALKS. HE CALLED REPORTS OF IMF INSISTENCE ON A 30 PERCENT DEVALUATION OF THE ESCUDO PURE SPECULATION. CONSTANCIO SAID HE HOPED THAT NEGOTIATIONS WITH THE IMF WOULD BE RESUMED BY THE END OF MARCH SO THAT THE AGREED PROGRAM COULD GO INTO EFFECT FROM APRIL 1978 THROUGH MARCH 1979. (COMMENT: CONSTANCIO WILL TRAVEL TO BRUSSELS ON MARCH 15 AND WILL PARTICIPATE IN A SYMPOSIUM IN BRUGES FROM MARCH 16-18. SINCE CONSTANCIO HAS CONTINUED TO LEAD PORTUGAL'S DELEGATION IN NEGOTIATIONS WITH THE FUND, FORMAL RESUMPTION OF NEGOTIATIONS MAY BE DELAYED BY HIS ABSENCE FROM PORTUGAL.)

4. TOURISM DEVELOPMENTS: MINISTER OF COMMERCE AND TOURISM BASILIO HORTA ANNOUNCED THAT THE COUNCIL HAD DISCUSSED FINANCIAL AND MANAGERIAL PROBLEMS OF THE TORRALTA LIMITED OFFICIAL USE

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AND GRAO-PARA TOURIST DEVELOPMENT COMPANIES. THE GOVERNMENT WILL CONDUCT A STUDY OF THEIR SITUATIONS TO DETERMINE HOW THESE COMPANIES, NOW OPERATING UNDER GOVERNMENT APPOINTED DIRECTORS, CAN BE RETURNED TO PRIVATE OWNERSHIP AND REVITALIZED. HORTA DENIED THAT THE GOVERNMENT IS PLANNING TO LEVY A DEPOSIT REQUIREMENT ON PORTUGUESE RESIDENTS DEPARTING ON FOREIGN TRAVEL. (COMMENT: HORTA INFORMED ECON COUNSELOR MARCH 7 THAT GOP HAD DECIDED DEFINITELY TO RETURN TORRALTA AND GRAO-PARA TO THE PRIVATE SECTOR ASAP. HE WAS SCHEDULED TO MEET WITH LABOR REPS FROM THE COMPANIES ON MARCH 14 TO INFORM THEM OF GOP DECISION.)

5. AGRARIAN REFORM: MINISTER OF AGRICULTURE AND FISHERIES LUIS SAIAS REAFFIRMED THAT THE GOVERNMENT'S DETERMINATION TO PROCEED EXPEDITIOUSLY, UNDER THE AGRARIAN REFORM LAW, WITH RETURN OF RURAL PROPERTIES TO THEIR LEGAL OWNERS. THESE MEASURES, AS WELL AS THE EXPROPRIATION OF

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
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OTHER PROPERTIES, IN ACCORDANCE WITH THE LAW, WILL BE  
RINTIATED MARCH 20.

6. LABOR DEVELOPMENTS: THE COUNCIL ANNOUNCED THAT THE  
STRIKE OF GOVERNMENT WORKERS CALLED FOR MARCH 10 WILL NOT  
BE RECOGNIZED BECAUSE IT IS POLITICALLY MOTIVATED. WORK-  
ERS NOT REPORTING FOR WORK WILLNOT RECEIVE THEIR PAY.  
THE GOVERNMENT ALSO WARNED THAT PICKETING WILL NOT BE ALLOWED.  
MINISTER OF LABOR MALDONADO GONELHA STATED THAT HIS  
MINISTRY, TOGETHER WITH THE MINISTRY OF FINANCE AND PLAN-  
ING, IS CONDUCTING A STUDY TO DETERMINE A MINIMUM WAGE  
INCREASE WHICH WILL BE WITHIN THE CAPABILITIES OF THE  
PORTUGUESE ECONOMY.

7. DISASTER RELIEF: THE COUNCIL APPROVED ALLOCATION OF  
1.3 BILLION ESCUDOS (32.5 MILLION DOLLARS) FOR REPAIR  
OF ROADS, PORTS AND OTHER PROPERTIES DAMAGED BY RECENT  
STORMS AND FLOODS. PART OF THE FUNDS WILL BE USED TO  
COMPENSATE WORKERS WHO LOST EMPLOYMENT AS A RESULT OF  
STORM DAMAGE.  
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## Message Attributes

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